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EGYPT



QUARTERLY PROGRESS REPORT

APRIL – JUNE 2006

EGYPT FINANCIAL SERVICES PROJECT

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ACRONYMS

ABS	Asset-Backed Securities
AI	Appraisal Institute
AMCHAM	American Chamber of Commerce in Egypt
ALC	Arab Legal Consultants
AOJS II	Administration of Justice Support II
BDA	Bond Dealers Association
BOD	Board of Directors
CBE	Central Bank of Egypt
CIDA	Canadian International Development Agency
CAPMAS	Central Agency for Public Mobilization and Statistics
CASE	Cairo and Alexandria Stock Exchanges
CBE	Central Bank of Egypt
CMA	Capital Market Authority
COTS	Commercial Off-the-Shelf
COP	Chief of Party
CRA	Commercial Registry Authority
CORS	Continually Operating Reference Stations
DCA	Development Credit Authority
DO	Egyptian Survey Authority District Office
DVP	Delivery versus Payment
DTGS	Direct Transfer Gross Settlement System
EAA	Egyptian Appraisers Association
EALB	Egyptian Arab Land Bank
EAR	Egyptian Association of Realtors
EAREA	Egyptian Association of Real Estate Appraisers
EBA	Egyptian Bankers Association
EBI	Egyptian Banking Institute
EISA	Egyptian Insurance Supervisory Authority
ECIM	Egyptian Cadastral Information Management (Finnish-funded project)
ECMA	Egyptian Capital Market Association
EDO	Egyptian Survey Authority District Office
EFS	Egypt Financial Services
ELF	Egyptian Finance Liquidity Facility
EHFC	Egyptian Housing Finance Company
EIMA	Egyptian Investment Management Association
EISA	Egyptian Insurance Supervisory Authority
EJA	Egyptian Judges Association
ELA	Egyptian Lawyers Association
EMA	Egyptian Mortgage Association
EMBA	Egyptian Mortgage Brokers Association
EPO	Egyptian Survey Authority Provincial Office
ESA	Egyptian Survey Authority
EREA	Egyptian Real Estate Association
ERESA	Egyptian Real Estate Surveyors Association
ESA	Egyptian Survey Authority
ESOP	Employment Stock Ownership Plan
ESRI	Environment Systems Research Institute
EU	European Union
FinBi	Finance and Banking Consultants International
FTC	Federal Trade Commission
FSVC	Financial Services Volunteer Corps
GAFI	General Authority for Free Zones and Investment

GIS	Geographic Information System
GOE	Government of Egypt
GSF	Guarantee and Subsidy for Real Estate Activities Fund
H&A	Hassouna and Abou Ali Law Firm
IFC	International Finance Cooperation
IFS	International Federation of Surveyors (Egypt Chapter)
IHF	International Housing Finance
ILS	International Land Systems, Inc.
IPF	Investor Protection Fund
KRA	Key Results Area
LADIS	Legislation and Development Information Systems
MBA	Mortgage Bankers Association
MCDR	Misr for Clearing, Depository, and Registry
MFA	Mortgage Finance Authority
MFC	Mortgage Finance Company
MLS	Multiple-listing Service
MSAD	Ministry of State for Administrative Development
MOF	Ministry of Finance
MOH	Ministry of Housing
MOJ	Ministry of Justice
MOI	Ministry of Investment
MOU	Memorandum of Understanding
NAR	National Association of Realtors
NASD	National Association of Securities Dealers
NCCIC	New Cairo Community Information Center
NCJS	National Center for Judicial Studies
NIB	National Investment Bank
NFI	New Financial Instrument
NUCA	New Urban Community Authority
OST	Overseas Study Tour
PEA	Project Execution Agreement
PO	Provincial Office (of the Egyptian Survey Authority)
PIN	Parcel Identification Number
PMU	Project Management Unit
QPR	Quarterly Progress Report
QSIT	Quality Standards Information Technology
REPD	Real Estate Publicity Department
RETD	Real Estate Tax Department
RFP	Request for Proposal
RFQ	Request for Quotation
RO	Registry Office
SEC	Securities and Exchange Commission
SII	Securities and Investment Institute
ST	Short-term
TDL	Training Development Laboratory
UCD	Universal Cadastral Database
UNCITRAL	United Nations Commission on International Trade Law
USAID	United States Agency for International Development
WB	World Bank
YEBA	Young Egyptian Bankers Association
Z&K	Zarrouk, Khaled & Co.

Introduction

This Quarterly Progress Report (QPR) summarizes the technical assistance and applicable procurements provided by the Egypt Financial Services (EFS) Project during Quarter 2 of Year 2 (April 1 – June 30, 2006).

The EFS project divides its activities into four main tasks, each with key institutional partners and specific activities designed to achieve objectives defined in the EFS Year 2 Work Plan.

Task 1: Establish a supporting framework for the real estate finance industry

Task 2: Improve operation of urban real property registration system

Task 3: Develop framework and procedures for secured lending and new financial instruments

Task 4: Establish a broad-based credit information system

The Executive Summary provides an overview of project accomplishments to date, a list of technical reports prepared during the quarter, as well as a list of other significant materials provided to USAID and/or counterparts. Following the Executive Summary, each task's progress and achievements are presented separately. A final section addresses EFS project management and its Monitoring and Evaluation component. Annex materials provide reference for:

- EFS training/public awareness events delivered during the quarter
- Direct procurements
- Short-term advisors fielded during the quarter
- EFS long-term staff

SECTION I: Executive Summary

Project Reorganization. EFS has witnessed key changes this quarter in staffing, organization, and work planning. The resignation of the Chief of Party Allen Decker, the departure of CTO Gregg Wiitala, and fielding replacements for the Task 1 Leader and Training Manager positions have led to the restructuring of EFS to refocus on increasing the number of mortgages.

The project hosted our Chemonics project management unit (PMU) mid-June to conduct an organizational workshop to discuss project successes, issues, and the strategic approach for moving forward giving consideration to measuring milestones and successes with a redesigned performance monitoring plan. This exercise sparked the forecasting resources and activities for 2007. Meetings have ensued with members of USAID, namely Associate Mission Director for Policy and Private Sector Joe Ryan, new CTO Paul Bruning, and DCTO Ingi Lotfi, to discuss EFS's plans for moving forward.

Pursuant to a request made by Gregg Wiitala and Ingi Lotfi at the EFS office on June 15 prior to Gregg's departure, a meeting was held on Thursday, June 29 at USAID with EFS Tasks, Paul Bruning and Ingi Lotfi to review and submit the staffing plan for EFS long-term advisors until project end (September 2008).

Highlights of the Quarter. The official launch of the MFA Call Center was on April 9, 2006. The call center is operating 12 hours a day (from 10:00 a.m. to 10:00 p.m.), 6 days a week. The call center received a high volume of calls for the first few weeks of operation, but then numbers sharply decreased. EFS helped design and implement a call center and portal promotion strategy to boost the public's interest and increase the number of callers. According to the MFA Deputy Chairman, the Call Center is now drawing an average of 700 calls per day. Furthermore, the MFA launched their web portal mid-May, www.mf.gov.eg, and has been drawing more visitors to the site to answer questions about what mortgages are and how to obtain one. EFS provided technical assistance for the training of the Call Center operators and provided a promotional campaign to advertise the Call Center and Portal. Furthermore, the information utilized in the Call Center to answer questions from callers was developed by the EFS Task 1 team. They also developed the majority of the MFA Portal's website content that now resides on the website.

The EFS Task 2 team helped facilitate the process for the MOJ reducing registration fees for transactions to affordable levels. Instead of the 10% fee for registration, a flat all-inclusive fee of LE 2000 instead will be assessed to applicants of both deed and title systems. EFS has been asked by the Ministry of Justice to assist with an upcoming event to be hosted by the MOJ at their premises to educate key stakeholders and press and begin to implement their public awareness campaign.

A foreclosure workshop for judges was held on May 23-25 and co-sponsored by EFS, the MFA and National Center for Judicial Studies (NCJS) of the Ministry of Justice (MOJ). The purpose of this workshop was for Egyptian judges to be introduced to the new foreclosure law under the mortgage finance law. Twenty-one judges attended the workshop as well as representatives from USAID, the EFS COP and Administration of Justice Support (AOJS). Both the MFA and the NCJS were very satisfied with the workshop. More are planned in Alexandria and other districts.

The Egyptian Parliament passed an amendment to Property Registration Law instituting a single flat fee for registration not to exceed LE 2000 (Two Thousand Egyptian Pounds) during the last week of May, 2006. The amendment has been numbered and publicly

gazetted. Ministry of Justice have 60 days from date of gazette to design and promulgate executive regulations/instructions detailing how the fees will be applied. EFS played a major advocacy role in promoting this policy decision to lower the cost of registration and make registration affordable. This topic was heavily featured in the EFS Inception Report dated June 2005 and it is clear that this report and related follow up meetings with senior MOJ officials influenced this favorable policy outcome.

Task 3 long-term advisors have worked with the CMA and NASD advisors Molly Bayley and Michael Kulczak on developing a strategy for expanding availability of financial instruments in Egypt. The team has conducted extensive analysis and assessment of the existing instruments and market institutions capabilities. The report noted two main issues in the Egyptian capital market that may hinder or slow down the development of the market: first the uneven playing field in the securities market between banks, on one side, and securities companies (brokers), on the other side. The existing regulations are applicable mostly to securities companies not to banks, while banks have a secondary interest and priority in developing the market and introduction of new financial instruments. Secondly, there is a need for regulators to coordinate their regulatory activities to address regulatory gaps in the securities industry and to adopt a policy of “regulation by function” rather than “regulation by entity”. The strategy proposed the expansion of availability of current financial instruments (government bonds, corporate bonds, and investment funds) prior to the introduction of new financial instruments. The proposed strategy was approved by the CMA and implementation priority was given to investment funds. Technical assistance of EFS will continue to the CMA to develop and execute implementation plans for the approved strategy.

Task 3 also worked with GAFI and MOI on the introduction of the proposed regulations and rules on factoring business. A workshop to potential market participants was organized with GAFI to present the proposed regulations and rules. Subsequently, a discussion meeting was held in GAFI where market participants commented on the proposed regulations and rules. EFS long-term advisors are working with GAFI and MOI on revising the proposed regulations and rules in response to concerns raised by market participants regarding over-regulation of the factoring business.

Task 4 conducted a training program on Regulation of Credit Bureaus, June 25- 29 at Grand Hyatt Hotel, jointly with the Federal Trade Commission. The program was attended by about 27 participants representing the Central Bank of Egypt, ESTEALAM, Egyptian banks, and a number of nonbank financial institutions representing different market segments and potential members of ESTEALAM. The program was delivered by three FTC experts: Bethany Matz, legal advisor, Bureau of Consumer Protection and Dr. Kenneth Kelly, Economist, both of the FTC. Part of the training was allocated to Egypt’s situation. A session on the Egyptian credit bureau model was delivered by task leader Marian Mishriki and on the last day, the participants worked in groups to draw lessons from the American experience, making some applications to Egypt’s situation and provide some recommendations/suggestions. ESTEALAM’s Deputy Managing Director Mr. Mohamed Refaat also contributed in this training and delivered a presentation on the status of Egypt’s first credit bureau.

The Way Forward. The project’s approach for the coming quarter will be to facilitate bank involvement and bank education in the mortgage market. EFS will consult on converting non-performing loans (NPLs) into “bankable” housing sales to consumers, and will also explore Islamic financing to assess and quantify housing loans. Working with the GSF would allow to move low income mortgages, and working with the MFCs will help promote a more aggressive developer portfolio purchase program. It is recognized that EFS needs to establish a closer relationship with real estate developers for which a detailed survey will be conducted on developers to gain more information for this initiative. There is also the possibility of designing and introducing new savings products. Other ideas are to introduce

escrow accounts, title deed insurance, and wholesale acquisition of private developer portfolios.

Task 3 is proposing a new direction for the secondary market to include supporting an operational ELF, promoting banks as issuers of MBS, setting bond benchmarks, enhancing CMA securitization, and developing a collateral registry strategy and implementation plan.

Task 4 will start working with the Central Bank of Egypt as an information provider to the Credit Bureau over the next 6 months. There will be a greater push to work with banks, i.e. the National Bank of Egypt who is already involved in the real estate market, and Bank Misr—both of whom are signers of the protocol for the GSF. By the end of the year, EFS will help facilitate the Credit Bureau signing an MOU with one of the non-banks.

It is also imperative at this point that quarterly meetings are arranged with the USAID signatories to facilitate discussion and transparency with moving forward to enhance the mortgage market initiatives. This will help promote unified messages and foster strong working relationships.

With emphasis of structuring our upcoming workplan according to a redesigned approach to the Performance Monitoring Plan, EFS is extremely confident that milestones, performance indicators and success stories will be more closely monitored and reflected in all manners of EFS reporting. This new approach will lend itself to a more dynamic plan, allow for reprioritizing on a quarterly basis, and determine what methods used by EFS technical and financial assistance are most effective to help generate more mortgages, as well as all EFS contract deliverables.

ASSESSMENTS AND ANALYTICAL STUDIES PREPARED THIS QUARTER

Title	Technical Report Number	Task	KRA
The Proposed Divided Co-Ownership Regulation	47	2	2.1.16
Egypt Title Registration System Functional Requirements Specification	48	2	2.2.8
Enhancement of Credit Policy and Procedures of El Taamir Mortgage Finance Company	49	1	1.4.1.1
Egypt Title Registration System Paper Document Analysis	50	2	2.2.10
Strengthening Egyptian Mortgage Contract Compliance & Consumer Protection, with Suggested Legislative Amendments	51	1	1.2.2
Proposed Training Course for REPD Members on Publicity and Notarization Operations	52	2	2.3.21
Draft Training Material to Support First Registration (EFS Methodology)	53	2	2.3.6, 2.3.8
Credit Bureau Legal Consideration: Part One	54	4	4.2.8
Legal Consideration Part Two: Credit Reporting Framework in the United States	55	4	4.2.8
CMA Strategy to Expand the Availability of Financial Markets	56	3	3.1.1
Egypt Title Registration System: Data Catalog	57	2	2.2.05, 2.2.10
The Egyptian Credit Bureau and Non Bank Financial Institutions	58	4	4.2.05
Proposed Regulations for Egyptian Liquidity Facility	59	1	1.1.7
Mortgage Finance Training and Capacity Building	60	1	1.3.2
Regulations of Credit Bureaus: The American Experience Including the Egyptian Credit Bureau Mode	61	4	4.1.4
Enhancing Funds Settlement of Bond Trades	62	3	3.2.7
Partial Credit Guarantee for Upper Egypt	63	3	3.1.2
ESA Certificate in Cadastral Surveying	64	2	2.3.19
Public Awareness Strategy for the Egyptian Credit Bureau	65	4	4.3.3

SECTION II: Progress Report by Task

TASK 1: ESTABLISH A SUPPORTING FRAMEWORK FOR THE REAL ESTATE FINANCE INDUSTRY

New Team Leader for Mortgage Component (Task 1) - Mel Brown arrived into the office on June 4th and had a one month transition with Kevin O'Brien to assume to duties of team leader for the Mortgage Finance task of the EFS project.

Task 1 Work Plan Preparation - Task 1 team worked on the projections of the LOE for the work plan prepared for a year period starting July 2006. This exercise included LOE of Local and Expatriate Advisors for all the planned KRAs and the recently added tasks under the new EFS perspective. The Task 1 Leader prepared a staffing plan and job description for the required expertise to carry out the planned tasks according to the work plan.

Overview

1. Establishment of the Mortgage Financing Authority (MFA)
 - a. MFA is operational as a regulator
 - b. Accounting and IT systems established
 - c. Prudential regulations (based on international standards) for (MFCs) have been established
 - d. First examination of MFC (EHFC) conducted
 - e. MFA staff trained
 - i. Local Primary Mortgage Course—in Arabic for MFA staff
 - ii. Participation in recent ShoreBank Course on loan origination and underwriting
 - iii. Chairman and Vice Chairman attended Wharton Real Estate Course
 - iv. English training for selected staff
2. Two MFCs established—both small but growing rapidly
 - a. EFS has advised in internal operations and accounting systems
 - b. Primary IT systems developed
 - c. Needs Assessment Analysis, Credit Policy and Credit manuals have been developed
 - d. Some staff training completed
 - e. First regulatory and operational exam by MFA completed for EHFC
 - f. Advisory work for secondary market instruments begun with Taamir Mortgage Co.
3. The Primary Mortgage Course - for multiple market participants presented four times in 2005 and 2006 Trainers for course are now delivering directly
4. In-Depth training course for Real Estate Appraisers - delivered with support of International Appraisers Institute
5. Foreclosure Workshop for Judges - presented in May 2006
6. Mortgage Finance Regulator and 2 MFCs up and running
 - a. Ongoing need to improve their internal operational and accounting procedure
7. 4 Training Programs created and delivered
 - a. Need to plan future delivery systems better and select more targeted subjects to meet the specific needs and demands of counterparts
8. Public Awareness program begun
 - a. A strong start but there is now a need to refocus direction and broaden the targeted audience
 - b. Need to assist financial institutions in the development of their own internal PA campaigns

Key Accomplishments

A. Activities Performed During Quarter

ASSISTANCE TO THE MORTGAGE FINANCE AUTHORITY (MFA)

MFA Staff Assessment - Within the framework of the Egypt Financial Services Project (EFS), WestGate was assigned to assist the Mortgage Finance Authority (MFA) to assess and measure MFA staff skills and capabilities in order to identify 1) Organizational units where each staff member is best placed according to the collective skills needed; 2) Organizational units where there is a shortage in qualified staff according to the collective skills needed; 3) Additional training needs to be provided to the existing staff to better fulfill their duties; and 4) Additional human resources needed to be hired by the MFA (if any) and possible sources. The implementation plan for the suggested recommendations shall be executed according to the following phases:

- Participation and the transition team
- Execution and communication
- Continuous training, development, and assessment
- Leadership
- Establish a solid performance evaluation system
- Strategic planning

Regulatory Assistance – Short-term Regulatory Advisor, Greg Taber, conducted the workshops held at the MFA which focused on pre-examination preparation, work file and work paper, credit underwriting, off-site inspection, and report analysis.

A meeting was held with the MFA Deputy Chairman on which he was updated on work progress. The Deputy Chairman suggested that the first on-site examination take place without a preliminary workshop with the mortgage finance companies to explain the examination process. EFS staff and short-term Advisor worked with and advised Mortgage Finance Authority (MFA) professional staff during first on-site examination of a mortgage finance company. Field work was completed April 20, and EFS is working with MFA staff in their finalization of the report. EFS is guiding with best practices on report contents and comments, and have held sessions on lessons learned from this experience.

Egypt Liquidity Facility (ELF) - Greg Taber discussed the ELF regulations outline with the MFA Industry Team. In this session, the ELF charter, investment memorandum, and the business plan of the ELF prepared with some input from Task 3, were also quickly read through. In response to a special request made by the MFA Deputy Chairman, Task 1 Senior Financial Advisor completed a detailed research on the second phase for implementing the ELF. The efforts made were highly recognized by the Deputy Chairman.

Upon MFA Deputy Chairman's request, Greg Taber and EFS Organizational Development Specialist prepared a brief description for the MFA Industry Affairs achievements to date for submission to the Ministry of Investment. The Regulatory Advisor completed a paper on the Egyptian Liquidity Facility (ELF) regulations to be reviewed by Task 1 members before sharing with the MFA. The Regulatory Advisor is also working on a summary of the manuals to be translated and presented to the MFA Board of Directors for Approval.

A reception was held at the Ministry of Investment (MOI) premises where the Minister of Investment announced the launch of the company and introduced the banks. The Central Bank of Egypt (CBE), MFCs, and most of the major Egyptian banks were represented in the event where a very positive response was shown regarding investing in ELF. Upon the

Chairman's request, Task 1 Senior Financial Advisor prepared comprehensive and persuasive talking points for the Chairman to use in the launch event. These talking points encouraged banks to participate in the mortgage market in specific, and the ELF in particular.

Legal Reforms - Our short-term Legal Advisor David Wilkes, worked with local counsel, mortgage lenders, and others over a 10-day period to produce a draft "Strengthening Egyptian Mortgage Contract, Compliance and Consumer Protection with Suggested Legislative Amendments". This report was submitted to USAID as Technical Report #51 and addresses the current status of document standardization, provides a list of proposed amendments to the mortgage finance laws and regulations in a narrative form that can be drafted more specifically by local counsel, and provides concepts and methods of advancing consumer protection that relates to developer installment sales contracts.

Credit Policy & Procedures Manual - The MFA Chairman assigned one of the MFA technical advisors to work with EFS on developing the Credit Policy & Procedures Manual as he had concerns regarding the report.

Real Estate Investment Funds - Upon the MFA Chairman request, the EFS Senior Financial Advisor and Task 3 EFS Senior Commercial Lawyer prepared research papers introducing Real Estate Investment Funds. The papers covered the different funds types, structure, strategies, risks, and advantages.

A joint committee on Real Estate Investment Funds including members of the MOI, Insurance Authority, and MFA who meet regularly, were requested to draft a paper on Mortgage Insurance. EFS Senior Financial Advisor Manal Shalaby prepared a comprehensive document for the MFA Chairman upon his request, on Mortgage Insurance including preconditions, comparative analysis for international models, and premium calculation according to each model. The document also included studies on Title Insurance, and Homeowners Insurance.

The MFA Chairman requested that the Senior Financial Advisor prepare a concept paper on Investment Funds in response to a request for an investment fund application. Manal Shalaby explained that she believed that the CMA would be the regulating authority for investment funds, but the Chairman believes it could be a joint effort. Manal prepared a summary outlining what investment funds are, how they operate and how they are regulated. She then delivered a small presentation to the MFA Deputy Chairman, after which the Chairman requested her to prepare a presentation for himself after her training in Istanbul.

Primary Mortgage Market Obstacles and Solutions - Upon the request made by the MFA Deputy Chairman, EFS Organizational Development Specialist Lamia Zufazy prepared a concept paper on Primary Mortgage Market Obstacles and Solutions. He accepted the paper and requested an Arabic version.

MFA Budget and Work-to-Date – The MFA Chairman and Deputy requested EFS's response to a letter sent by the MOI regarding the project work accomplishment, total budget allocated to the MFA, and the actual expenditure to date. EFS Senior Financial Advisor prepared an updated paper on EFS accomplishments and contribution to the mortgage finance market and attached the statements of assets transfer to the MFA (IT).

Developer's Meeting - Task 1 attended a meeting in the beginning of April between the MFA Chairman and developers, brokers, appraisers, government officials and members of the press. The meeting was organized by the Real Estate Association Developers. The Chairman briefed the attendees about the benefits of mortgage finance and urged them to

sell their units in accordance to the mortgage finance law by making more use of mortgage lenders.

Assistance to the Mortgage Finance Companies

EI Taamir Mortgage Company (TMC) – A meeting was held to discuss their findings and suggestions for amendments and improvements on the Mortgage Finance Law and mortgage-related operations. TMC's major concerns were generally related to the tripartite agreement, registration, foreclosure, and information discrimination among registry office.

The TMC Vice Chairman had a general comment on how slow the improvements are on Mortgage Market. However, the Egyptian Survey Authority (ESA) eventually agreed to mark the margins of the cadastral forms with the mortgage against fees, as the ESA is considered an income generating entity. TMC prepared a document incorporating all problems and difficulties facing them in order to hand it over to the mortgage association. TMC commented on the new contract format received from the MFA claiming that many conflicts still exist in the newly developed format.

TMC published two newspaper ads, informing the readers about the broader criteria the company might serve from homebuyers. The company introduced its willingness/ability to serve: (1) Egyptian expatriates working abroad; the expatriate has to submit HR letter authenticated by the Egyptian embassy in the country of residency. TMC is expecting a lot of potential business in this regard, especially with the Gulf Bank, (2) senior citizens, those clients have to obtain a mortgage loan in partnership with their children, in order to avoid the risk of the client's death without having a life insurance policy on his life, and (3) foreign expatriates working in Egypt, those clients have to submit their work permits and residency documents. TMC started developing a marketing campaign in cooperation with one of the marketing and advertising agency. TMC is also targeting to disburse loans amounted to LE 50 million by end of June 2006.

A meeting was held between Senior Real Estate Finance Advisor and Research and Training Assistant from EFS and General Manager-Commercial Department and Marketing Manager from EI Taamir. The purpose of the meeting was to discuss the TMC marketing plan and media strategy for the coming year. EFS Senior Real Estate Advisor clarified to TMC representatives the importance of aligning efforts regarding media and public awareness strategies, in order to push the market to evolve. TMC representatives clarified that their main goal for the current time is to announce the company's products locally and in countries where Egyptian expatriates exist.

Another meeting was held in June with TMC Vice Chairman, to introduce Mel Brown to TMC Vice President Mr. Al El Labban. Mel discussed several issues, with Mr. El Labban regarding the state of the mortgage market, the role of the MFCs, and concerns of the EFS project to further promote long-term mortgage transactions.

EI Taamir Mortgage Company opened their new branch in Alexandria on July 3. Representatives from EFS, banks, government officials and others attended the opening ceremony in Alexandria. TMC Chairman and Vice Chairman are also planning to sign a protocol with Bahrain-Ahli United Bank during the second week of July. According to the protocol, Ahli United Bank will act as the TMC agent in Bahrain, Kuwait and Arab Emirates. The primary goal of signing this protocol is to expand TMC services to Egyptian workers in the Gulf countries. Ahli United Bank of Bahrain is currently in the process of finalizing the purchase of Delta International Bank in Egypt.

Egyptian Housing and Financing Company (EHFC) - Discussions have been ongoing with EHFC to discuss their findings and recommendations necessary for amendments in the

Mortgage Law. Their major concerns include the price clause and the loan parameters in the contract, proportional fees, and foreclosure. At a meeting between EHFC and EFS, EFS received general feedback from the EHFC CEO regarding severe competition from banks. Banks are currently approaching developers to finance their clients and are offering very competitive packages, at lower interest rates, fewer documentations, and longer loan duration. In a subsequent meeting with the EHFC CEO, Mel Brown advised that this should be considered a positive step in the development of the housing finance market.

The EHFC met with the ShoreBank International (SBI) team regarding an upcoming EFS-sponsored training. The consultants discussed with the EHFC CEO several items such as current issues facing the primary mortgage market and market conditions.

Another meeting with ShoreBank answered several questions have been asked of short-term consultants regarding: disclosure to clients, fund disbursement, lending restrictions, monitoring long-term value (LTV) ratio, and loss reserves. These questions are the second set of questions which will be used for developing the four specialized mortgage training courses. A second meeting mainly discussed the 4 ShoreBank training courses and the number of EHFC staff per course as well as time schedule of these courses.

Working with the Banks

Bank Meetings - Two meetings were held with National Société Générale Bank (NSGB) and Commercial International Bank (CIB). The purpose of these two meetings was to understand how banks serve mortgage lending, what the differences are in procedures between banks and MFCs, and to identify their comments and concerns regarding mortgage finance law. The major concerns of these banks were generally foreclosure, registration, mortgaging and loan parameters in the agreement.

Meeting with Bank of Alexandria - New team leader Mel Brown and EFS Senior Financial Advisor met with Mrs. Fatma Lofty, Vice Chairman of Bank of Alexandria. During this meeting, a copy of our mortgage training course material was presented to Mrs. Lofty, who was most pleased and committed to sending us a list of 5-6 candidates from the bank to attend the ShoreBank courses offered by EFS.

Mr. Brown reviewed EFS's involvement in mortgage market development in Egypt until now and our role in the future. Mrs. Lofty seemed very interested and advised that the bank management had allocated 500 million EGP as a first step to be invested in home housing. They are currently concentrating on high-end single-family properties but are most interested in expanding their market share into the broader apartment financing and new urban communities sector. Mrs. Lofty describe the bank's modified mortgage documentation, which she believes resolves some (not all) of the issues regarding deeds and title registration, at least to the point that the bank is willing to extend a mortgage loan. Current loan tenors are for 5 to 7 years and they plan to go out to 10 years in the near future.

In response to Mr. Brown's inquiry, Mrs. Lofty stated that the majority of the non-performing loans (NPLs) that were recently removed from the bank's portfolio were in fact credits to other government agencies, not secured by real estate, which were paid back by the Ministry of Finance. She also described the current status of the bank's privatization exercise and the fact that they are in the midst of processing 12 separate bids from major international financial institutions (only 2 of which are Egyptian). She anticipates that a final sale may be negotiated within the next 2 months.

The meeting ended cordially and it was agreed that another meeting to further discuss the EFS project and its training programs and mortgaging lending opportunities, with Mr. Brown would be arranged shortly.

AmCham Real Estate Committee – Task 1 contributed slides for the American Chamber of Commerce (AmCham) Conference on May 16 on Driving Growth in the Financial Sector to cover Insurance, Banking, Capital Markets and Mortgage Finance. A concept paper was also developed.

Meeting with NCJS - Mel Brown was introduced to Counselor Shakeeb and his team at the NCJS. Task I, the EFS Training Leader, and Legal Advisor reached agreement with the NCJS to hold a second Foreclosure Workshop for judges in districts outside Greater Cairo during the first or second week of November 2006. Moreover, the NCJS gave permission for EFS to expand participation in this workshop and arrange foreclosure training for mortgage lenders and lawyers before November 2006.

Task 1 Mortgage Loan Database

Loan Portfolio Figures

Co. Name	Volumes					Values In '000					Accumulated	
	2005	Q1, 2006	Apr. 06	May. 06	Jun. 06	2005	Q1, 2006	Apr. 06	May. 06	Jun. 06	Volume	LE Value In '000
EHFC												
Mortgages	56	36	2	23	12	12,426	11,112	1,800	1,993	2,195	129	29,526
Portfolio Acq.	187	95	0	22	0	54,521	74,932	0	250	0	305	129,703
Sub. Total	243	131	2	45	12	66,947	86,044	1,800	2,243	2,195	434	159,229
TMC												
Mortgages	73	115	16	12	31	14,925	15,740	1,387	3,656	17,837	247	53,545
Portfolio Acq.	0	0	0	0	0	0	0	0	0	0	0	0
Sub. Total	73	115	16	12	31	14,925	15,740	1,387	3,656	17,837	247	53,545
Grand Total	316	246	18	57	43	81,872	101,784	3,187	5,899	20,032	680	212,774
<i>% increase in the portfolio</i>	-	44%	3%	9%	(-25%)		55%	2%	3%	9%	130%	219%

+annualized % growth for first six months of 2006/year-end totals for 2005

Source: Mortgage Finance Companies and the MFA

Training Support for Task 1

Internal Meeting to Discuss Training and Associations – The DCOP called for a meeting with the new Task 1 Team Leader, Senior Financial Advisor Manal Shalaby, the Training team, and former Task 1 Team Leader to discuss planned training activities for Task 1, and specifically regarding programs for the various Real Estate Associations in preparation of handing over the responsibility of Associations Capacity Building to Task 1. Association Development will now fall under Task 1 instead of EFS Training.

ShoreBank International (SBI) Training Course - The “Loan Origination” course took place from June 25-27 and was held at the EBI. The course was instructed in English by the SBI instructors, the same instructors that have also been working with the EFS team on the course development. Eighteen participants attended the course from the Ministry of Investment, the two Egyptian mortgage companies and various banks. The participants took a test at the end of the course, and those who pass will receive a “Certificate of Achievement”. Major banks such as Arab Bank, Bank of Alexandria, MIB, and others showing interest in Real Estate Finance, nominated staff to participate in the RE Loan Origination course and the RE Loan Underwriting. The two mortgage finance companies, MOI, and MFA were represented in these courses as well. The Loan Origination course has been delivered, twenty attendees registered for that course from Banks, MFCs, Ministry of Investment. Sixteen of the twenty participants registered for the second Loan Underwriting course.

Last minute changes in the “Loan Underwriting” course material, and the final logistical arrangements for the course were being implemented during the last week of June, in preparation for the course’s commencement on July 2. The course ended July 4. The expected number of participants is 21 from various banks and finance companies.

Corporate Governance Seminar – New Task 1 Leader, Senior Financial Advisor, and Research and Training Assistant attended an evening seminar prepared by the Egyptian Banking Institute (EBI) concerning Corporate Governance. The seminar had presentations from the International Finance Corporation (IFC), TAPR II, Financial Services Volunteer Corps (FSVC), and the EBI. The seminar discussed the concept of corporate governance for banks, best practices, and how it could be applied locally in financial institutions.

IT Training for MFA - The Basic Computer Skills course started on April 9th for 40 MFA employees. The sessions are divided according to the management level and participant’s educational degree. During the three-day course, the participants will learn how to use the keyboard, mouse and will be introduced to the internet, networking, and the different computer components. At the end of the course, the participants will take an evaluation test. Scores and results will be provided to the MFA and kept in each employee’s file.

English Training Course for MFA Staff - Results for the English Language Training Program (Round 8) that took place from December 18, 2005 through March 8, 2006 for MFA staff were released. The program involved 12 participants, all of whom passed.

Primary Mortgage Courses - A meeting with the MFA Deputy Chairman indicated the National Bank of Egypt’s (NBE) interest in EFS to deliver the 5-day Primary Mortgage Course in English directly to bank staff. EFS is coordinating with the MFA on timing and training logistics for this presentation. This training will lead to favorable outcomes since the NBE has selected buildings in new communities to finance mortgages. The price of the units (average LE 250,000) will probably target borrowers in the upper middle and upper income families. Primary borrowers will include staff of the Ministry of Investment with repayment terms up to 20 years.

The “Egyptian Primary Mortgage Market” course was held at the EBI from March 12 – 16, 2006. A meeting with the local instructors and Task 1 took place on April 5 to discuss lessons learned, to update the materials, and to plan for the next round of training in June. Some adjustments were made to the material during the meeting, and further changes will be made after consultation with the Registration team and a legal expert.

The “Egyptian Primary Mortgage Market Condensed Course” was also delivered in Arabic to the MFA staff from June 11-15. The course was attended by seventeen participants and was co-delivered by Ms. Wafaa El Dars, advisor to the MFA Chairman, Dr. Sherif Abdel Baki, Egyptian Mortgage Association instructor, and Manal Shalaby, EFS financial advisor.

The course was a condensed version of the original course, as the main purpose was for the MFA employees to be familiar with the basics of the mortgage finance process. This was the first course round in Arabic conducted by the local trainers. In preparation for that course, Task 1 Organizational Development Specialist completed the review of the Arabic translation of three modules (out of 11). Task 1 Senior Financial Advisor rewrote the “Securitization” module, to comply with current Egyptian practices and got it reviewed by Task 3 Senior Financial Advisor. She also reviewed the Arabic translation of the Secondary Market Module and included some adjustment. She instructed on both modules for one full day. Also EFS Senior Legal Advisor instructed on the “Legal Module” as per the Chairman’s request.

Appraisal Courses – The presentation of five Appraisal courses took place during March 2006. Some modifications to some of the material were done by the Appraisal Institute (AI) instructors, according to the feedback received from the participants and their own evaluation of the localized material. Further changes will be made by local short-term experts nominated by the AI instructors to carry out this task. The Training Team and the Task 1 team leader met with the EAREA board of directors on June 23rd, as previously agreed between the training manager and the association treasurer. The purpose of the meeting was to discuss the status of the association with regard to the appraisal courses developed in cooperation with the Appraisal Institute in the United States, and that the courses are targeted to benefit the appraisal industry in Egypt. The discussion centered around the ownership of the courses and the potential cooperation between the association and the EBI in the delivery of the courses, with EFS assistance. The members of the meeting agreed to postpone the final decision until a further meeting with the EBI was set up to discuss the terms of a potential agreement between the two parties.

Association Development - Larry Milner’s final report containing the strategic plans and business plans with estimated budget developed for the three EFS partner associations for the remainder of the year 2006, was finalized. A package for each association containing its strategic plan and business plan with estimated budget, was sent separately to the Egyptian Mortgage Association (EMA), Egyptian Association of Real Estate Appraisers (EAREA) and the Arabian Real Estate Association (AREA).

The Training Manager and the Associations Development Specialist met with members of the board of the Egyptian Association for Real Estate Appraisers on April 11 to discuss future collaboration between the association and EFS. The Egyptian Appraisal “Code of Ethics” prepared by the association and approved by the MFA was discussed, and ways in which this achievement will impact the industry were explored.

Foreclosure Workshop - A foreclosure workshop for judges was held at the Hyatt on May 23-25 and co-sponsored by EFS, the MFA and National Center for Judicial Studies (NCJS) of the Ministry of Justice (MOJ). The purpose of this workshop was for Egyptian judges to be introduced to the new foreclosure law under the mortgage finance law. Twenty one judges attended the workshop as well as representatives from USAID, the EFS COP and

Administration of Justice Support (AOJS). Both the MFA and the NCJS were very satisfied with the workshop. More are planned in Alexandria and other districts. The workshop was attended by approximately 25 judges, and was co-delivered by Marc Albert, US lawyer, and two ex-judges nominated by the NCJS Chairman.

Real Estate Credit and Investment Program - Four of the Task 1 team members were nominated to attend a course in Turkey on Real Estate Credit and Investment. The course was organized by the Arab Academy. Special permission was received from USAID to fund this trip since the Task 1 team's attendance will enhance their knowledge to help meet the project's goals.

Wharton International Housing Finance Program - The five nominated participants traveled to the United States on June 4, to attend the "International Housing Finance" program at the Wharton School of Business in Pennsylvania. The follow-on evaluation meeting at the USAID was held upon the participants return.

MFA OST - The MFA has nominated 3 participants to go on an OST in the US for further orientation in mortgage finance methods. The Training Team is currently working on the dates for the OST as the MFA would like to postpone the OST until November. This program is scheduled for two-weeks during which participants will visit primary and secondary mortgage market providers and regulators in the US. Participants have signed the normal conditions of training and are verified.

IT Support for MFA

IT Assistance for EI Taamir - A meeting was held with the IT Deputy General Manager (DGM) to discuss the progress on implementing the IT training and software requirements, and the difficulties facing TMC in finalizing its IT requirements. TMC is considering converting its internal developed software into a specialized mortgage software. EFS IT Advisor informed TMC IT DGM that there is no single specialized mortgage software package, but there are several applications that, if combined, can form a useful mortgage finance software program. EFS IT Advisor also proposed to have mortgage finance software for TMC and other mortgage companies. EFS, in cooperation with TMC IT DGM, will develop a questionnaire for banks to gather all necessary information regarding what is required from mortgage finance software applications. These questions will help provide EFS with a better understanding of the requirements of mortgage applications.

MFA Portal Development - The comments on IT Worx's analysis document for phase 1b of the MFA Portal which includes services (such as market participant's registration, and handling requests for information), were discussed with the MFA IT Committee. Changes suggested by EFS were taken into consideration. On-line Modern Solutions delivered and installed the required Microsoft Software Components required to operate the MFA Portal. The software includes: Microsoft Content Management Server, Microsoft SQL Server database engine, MOM, and Share Point Portal Server.

The MFA Portal was launched during this period. The MFA staff, the EFS IT Systems Specialist, Task 1, and PA staff conducted a test on the system. The EFS Senior IT Advisor collected all the comments and compiled a list with all the problems classified by type and issued it to MFA and IT Worx. EFS Senior Financial Advisor continued to follow up with MFA Internal Affairs Advisor on the revision and quality control of the MFA portal, commented on the website trial launch. A final version in English and Arabic was previously delivered to the MFA by Task 1 to be used as the master copy kept at their end, capturing any further comments they might have in the future. Errors were still found in the contents and it seems that the final versions of the English and Arabic were not uploaded in full to

replace the existing, incorrect information. A follow-up report was sent to the MFA for fixing the errors.

MFA Phase II Procurement - The EFS IT Procurement / Operation specialist completed the specification for the equipment and software need for the MFA (Phase II of the MFA needs assessment). The specifications were sent to the MFA for approval before issuing the RFP. The HO issued the RFP for the hardware in the US. This procurement includes 6 servers, racks, and switches.

Backup Leased Line for the MFA Portal - A list of downtimes for the MFA leased line was compiled and sent to the account manager of NileOnline (NOL) (the Internet Leased Line provider). Fourteen downtime events took place during the period February 19 and April 26. The account manager of NOL was requested to schedule a meeting between Nile Online technical staff, EFS IT team, and MFA IT team to discuss the possible solutions for a backup line.

MFA Call Center – The official launch of the MFA Call Center was on April 9, 2006 after a substantial amount of time invested by EFS with the request for proposals and procurement of the center. The call center is now operating 12 hours a day (from 10:00 a.m., 10:00 p.m.), 6 days a week. The call center received a high volume of calls for the first few weeks of operation, but then numbers sharply decreased. EFS helped design and implement a call center and portal promotion strategy to boost the public's interest and increase the number of callers. According to the MFA Deputy Chairman, the Call Center is now drawing an average of 700 calls per day.

MFA Notebooks Procurement - The two notebooks were delivered to MFA during this quarter for both the Chairman and Deputy Chairman.

MFA Document Management System - The EFS IT Procurement/Operations Specialist reviewed the draft of the Tender Document. The tender document (RFP) for the Electronic Document Management System was issued to 6 potential bidders. The award letter is expected to be issued the first week in August.

MFA System Integrator - Four offers were received in response to the MFA System Integrator RFP. The IT Systems Specialist reviewed the proposals. Clarifications were required from the 4 bidders. Clarification letters were sent to the bidders, and the deadline for receiving the responses is May 21. The EFS IT Systems Specialist completed the final evaluation of the proposals. The Home office approved the evaluation. A contract was prepared and approved by the HO. OMS signed the contract.

Public Awareness Support to the MFA

Media Coverage - The PA team developed a press release on the launch of the Call Center.

Coverage was achieved in the following newspapers:

Ahram newspaper: April 8 by Ms. Iman Irawi

Akhbar Al Youm newspaper: April 8, 2006

Gomhuriya newspaper: April 9 by Mr. Soliman Fouad.

MFA approved a portal press release developed by the PA team who disseminated the release on May 29. The PA team advised the MFA in addressing a response to a media article.

Coverage was achieved in the following newspapers:

- Ahram newspaper issue dated May 31, 2006
- Akhbar newspaper issue dated May 31, 2006
- Al Wafd newspaper issue dated June 2, 2006
- Ahram Iktissadi magazine: issue dated June 5, 2006

PA team developed a call center and portal posting letter circulated to mortgage finance companies as well as banks and other organizations requesting them to include the MFA portal and call center number in their publications and newsletter issues as part of the call center and portal promotional plan.

As per MFA Chairman Saleh's request, the PA team prepared a press release on the new agreement that has been signed between MOH and GSF regarding the launching of 3700 units subject to mortgage loans in areas of El Shorouk, 6th of October and Damitta.

The PA team also facilitated a media interview for Mr. Saleh in a special supplement of Al Mal newspaper issued for the World Economic Forum. The PA team revised the press release on the GSF units launch and disseminated to the media.

Coverage was achieved in the following newspapers:

- Al Wafd, June 16
- Al Akhbar, June 16
- Al Fagr, June 18
- Al Mal, June 18

The PA team developed a press release on the Media Mortgage Workshop and was approved by MFA and disseminated to the media attendees during the event. A TV program, Cairo Today, on the Orbit Satellite Channel, has requested to interview the MFA chairman among other mortgage finance experts in one of the episodes where the media education sessions report will be aired. In addition, the program wants to interview a young couple who obtained a mortgage loan to buy their own apartment. PA team will work with MFA to identify the couple and schedule the interview before end of July.

The PA team drafted and submitted a press release on the ELF event upon the request of MFA Deputy Chairman El Kady.

Flyers - The flyers have been printed as requested by the MFA.

MFA Communication Specialist – The PA team provided Mr. Ashraf El Kady with some potential candidates' resumes who have been interviewed by the team.

Call Center/Portal Promotional Plan – The PA team submitted a proposed promotional plan and budget to the MFA Chairman. The PA team has registered MFA contacts and call center and portal on a number of free business directories in Egypt. They were sent to Mr. El Kady with the registered username and passwords for their follow up.

A timeline of the promotion plan was shared by the PA team with the client and the PA team has worked on the following:

- Yellow pages online Ad: PA team will share the Ad design with MFA beginning of July.
- Ahram Window Ad (B/W) at Economy page
- Al Mal Colored Ad: The team is currently working on the Ads design and media planning. Will propose the designs to the client for feedback
- Radio FM Ad: PA team recruited a production agency and as soon as quotation is approved, the team will work with the agency on script development, voiceover and production

- Stickers: produced
- Free Online Directories Listing: The team has registered the MFA Call Center number at a number of online business directories.
- The team has developed a letter to be sent to MFCs, Mortgage Associations and Real Estate Marketing Companies to promote MFA Call Center and Portal through their communication materials.
- The team also communicated with Dr. Mazen Fayad at the MOI to promote the Call Center at the MOI portal and send him a list of key search words to optimize online search for MFA portal.

AmCham Conference - ST Dalia Wahba facilitated the exposure of the MFA during the AmCham event through distribution of publications and the announcement of the MFA portal online and Call Center at the event.

Information Kit - Content of the Information Kit which includes two booklets about mortgage in addition to four other booklets on registration, credit bureau, appraisal and home financing, have been updated according to a first-round of comments from the MFA. The content of the booklets were translated and technically reviewed by the Task 1 team and again submitted to the MFA for their review. The content will be edited and copywrited from a communications point of view after we receive the MFA's comments. Meanwhile, the PA team received designs and quotes from various suppliers and have involved the MFA Chairman and Deputy Chairman in the selection of the best design.

Public Service Ads - The PA team has developed a brief and RFP for the Public Service Ad campaign. The brief has been reviewed by Task 1 and will be disseminated to a number of Advertising Agencies next week requesting proposals.

Media Education Session – The PA team organized and managed the event that was held on June 28-29 at the Four Seasons Garden City from 9 a.m. - 4 p.m. each day. The PA team developed the MFA folder, note pads, and banner for the event (and for use at future events). The PA team is currently working on developing the event report that will be submitted to USAID. The event was attended by key specialized media reporters and journalists. The MFA Chairman and Deputy personally welcomed EFS representatives and invited former task 1 team leader to their table to give him a special farewell. The Chairman was very positive towards the project as he spoke over lunch to the reporters at his table.

TV interviews were conducted with MFA Chairman and other speakers during the two days of the event. TV programs include Good Morning Egypt on Channel 1 where the Chairman was interviewed once on the first day of the event and once in studio. Other programs include Cairo on Air on Channel 3 and Cairo Today on Orbit Satellite Channel. Another interview was done with Mr. Abdel Hamid Ibrahim on July 1 on Good Morning Egypt and another one in same program on July 2 with Counselor Farouk Awad.

B. Activities Scheduled for Next Quarter

- Restructure and adjust component LOE to meet new opportunities
- Conduct a needs analysis of selected banks as part of new marketing program
- Conclude a new MOU with MOI and the GSF for project involvement
- Present second half of Shore Bank courses on Loan Servicing and Risk Management concepts to MFC as pilot program—September
- Reach agreement with MOI and MFA management on a revised MOU which updates and redefines the role of the EFS and its new focus on the primary project goals
- Conduct second MFA examination of MFC (Taamir Mortgage). This may evolve into a full audit as was the case with EHFC

- Enhance MFA role as regulator through further short-term TA and advisory work by team members as well as short term regulatory advisor
- Complete formation of planned communications strategy at MFA

C. Challenges Encountered and Proposed Remedial Actions

Issue: Improve working relationship with the MFA, MOH and CBE
 Action: Redesign work plan, communicate changes in EFS project approach and take advantage of recent personnel change
 USAID Support: Assist EFS with reaching an agreement with MFA and the terms of a new MOU

Issue: Need to expand program horizons to address new project focus of increasing the volume of housing finance transactions
 Action: Increased LOE with banks, CBE, MFCs and developers as soon as the relationship with MFA is back on track
 USAID Support: Mediation of implementation obstacles associated with the MFA

Issue: Renew engagements with the Guarantee Subsidy Fund and the MOH
 Action: Expand project involvement with GSF to restructure their programs and build relationship with the new Minister of Housing
 USAID Support: Assist in concluding a formal “Letter of Engagement” from the MOI authorizing and defining EFS involvement with the fund

TASK 2: IMPROVE OPERATION OF URBAN REGISTRATION SYSTEM IN THE MINISTRY OF JUSTICE

Overview

- EFS has executed bilateral Memorandums of Understanding (MOUs) with the two key process owners – Ministry of Justice/Real Estate Publicity Department (MoJ/REPD) and the Egyptian Survey Authority (ESA)
- EFS has been assigned Shobra El Kheima and Mokattam as designated areas in which to implement/introduce the improved personal deed system
- EFS is using Business Process Improvement/Reengineering as a key strategy and management tool to dramatically increase the quality, efficiency and cost effectiveness of business processes within the registration system
- Focus is placed on understanding customer needs, identify how best to meet and serve those needs and “reinventing” the value stream of core business processes
- Three elements are essential to this effort:
 1. The redesign of core business processes
 2. The application of enabling technologies to support the new core processes
 3. The management of organization change

Outcomes:

- An enhanced deed system that will immediately support the issuance of mortgages
- One-stop, customer friendly registry offices with integrated personnel from the notary office, ESA district personnel and REPD staff
- Hardware and communication equipment delivered, installed and fully operational in two selected offices
- Application software installed and operational
- Electronic exchange of information (both graphic and non-graphic) between REPD and ESA
- Document flows and document production in electronic format
- Fully-trained staff versed in new procedures and customer service

- Ease of conversion to MSAD's Title Registration system
- Ultimately, public web-based access to some information services

Key Accomplishments

A. Activities Performed During Quarter

MSAD and MFA Meetings - Task Leader Menelaws attended and prepared materials for three meetings hosted by the Mortgage Finance Authority (MFA) with USAID and Eng. Emad Hassan, Ministry of State for Administrative Development (MSAD). The meetings were to review and seek approval for EFS to commence operations to establish a model registry office in the Sixth of October. The initial meeting was held May 15 and resulted in a request to EFS to prepare a document identifying the steps, deliverables and timetable to implement a model registry office in the Sixth of October. EFS prepared a document entitled "*EFS Operations and Resource Plan*" that was submitted and presented at the MFA meeting on May 24. As a result of this meeting, MFA Chairman Saleh requested another "wrap up" meeting to be held May 31 at MFA in which senior representatives from ESA, MOJ and MOH would attend.

EFS prepared additional materials in both Arabic and English to include a "*Joint Declarative Statement*" for signature by Chairman Saleh, MFA and Eng. Emad Hassan, MSAD endorsing the EFS Work Plan and enabling EFS to commence operations in the Sixth of October. These materials were disseminated prior to the meeting. Attendees at this meeting included Chairman Saleh, MFA; Ashraf Elkady, MFA; Laila Darwish, MOH; Counselors Awad and Mamdouh, MOJ; Chairman Hisham, ESA; Eng. Emad Hassan, MSAD; Gregg Wiitala, USAID; Eng. Nessim Mobarak, New Urban Community Body (NUCB) Sixth of October and EFS. The outcome of the meeting was a request by Chairman Saleh to the various Government parties to respond to the EFS work plan to establish a registry office in the Sixth of October.

Two Approved Locations - Task Leader Menelaws met with Laila Darwish, Advisor to Minister for International Relations from the Ministry of Housing Utilities & Urban Development (MHUUD), on June 20 and 27 to review registration issues to include selection of locations for EFS deployment of the improved personal deed system. EFS presented copies of the draft regulation entitled "*Divided Co-ownership of Immovable Property*" for MHUUD review and further action. USAID's working draft paper "*Real Estate Task Force*" was again submitted and discussed. MHUUD will facilitate dialogue at senior level with other stakeholders in making the creation of this Task Force a reality.

EFS prepared a rapid assessment of potential locations that lie outside the nine locations now under implementation of MSAD for title registration. Top-ranked locations are Shobra El Kheima and El Mokattam. These were reviewed directly with MHUUD, and MFA Chairman Osama Saleh was notified in writing. MHUUD supported both proposed locations. Task Leader Menelaws, together with Mr. Tarek Wahby, QSIT General Manager, met with Emad Hassan, MSAD, on June 28 to seek approval/confirmation of the EFS top-ranked locations. Emad Hassan agreed to both Shobra El Kheima and El Mokattam as the two locations for EFS deployment. Emad Hassan met with USAID CTO Paul Bruning on June 28 and verbally confirmed this development. Later, Emad Hassan met with Counselor Awad who agreed on Mokattam as a location for implementing improved deed system along with Shobra El Kheima, and was confirmed in writing with MOJ concurrence.

Flat Fee Registration - The Egyptian Parliament passed an amendment to Property Registration Law instituting a single flat fee for registration not to exceed LE 2000 (Two Thousand Egyptian Pounds) during the last week of May, 2006. The amendment has been

numbered and publicly gazetted. Ministry of Justice have 60 days from date of gazette to design and promulgate executive regulations/instructions detailing how the fees will be applied. EFS played a major advocacy role in promoting this policy decision to lower the cost of registration and make registration affordable. This topic was heavily featured in the EFS Inception Report dated June 2005 and it is clear that this report and related follow up meetings with senior MOJ officials influenced this favorable policy outcome.

Prior to the inception of EFS project, the fees for property registration has been set as a ratio of the property value, The problem with fees is that they are set by law. As a result each fee reduction requires an amendment by Parliament. In forty years fees have been revised downward with no effect on increase in registration by the public.

- Law 70/1964 ---- set 12% as a maximum registration fees.
- Law 6/1991 ---- set 6% as a maximum registration fees instead of 12%.
- Law 9/2003 ---- set 4.5% as a maximum registration fees instead of 6%.
- Law 3/2004 ---- set 3% as a maximum registration fees instead of 4.5%.

The problem with setting the fees as a ratio of the property value is that registration applicants usually avoid stating the real value of the property value in the contract in order to avoid the misuse of the pre-emption law. This problem has been solved by setting a flat fee for registration.

Licensing Private Surveyors - Task 2 met with Chairman Hisham on May 8 and 11 to convey draft report on licensing of private surveyors and to obtain Egyptian Survey Authority's (ESA) internal assessment report on Giza EPO.

Signatories Added to the USAID Project Agreement - Task Leader Menelaws attended two USAID requested meetings on May 2 with Chairman Hisham, ESA and May 4 with Counselors Awad and Mamdouh (MOJ) respectively. The meetings afforded an opportunity for USAID to update counterparts on recent meetings/discussions with the Ministers of Housing and Investment. USAID informed Chairman Hisham that the Minister for Water and Irrigation will be formally added to the USAID Project Agreement with the Government of Egypt. The paperwork has been set in motion on this and Chairman Hisham kindly agreed to inform the Minister. In addition, USAID confirmed that the Minister of Housing has also been added as a signatory to the agreement.

AMCHAM Conference - The Task 2 Leader prepared slides and concept paper for AMCHAM's national conference entitled "*The Financial Sector – Driving Growth*" held May 17th at the Four Seasons Hotel.

Cadastral Maps - ESA will meet with NUCA to determine existing map information on file with NUCA in order to plan a timetable for the preparation of cadastral index maps.

REPD Training Development Center - EFS and USAID's Paul Bruning and Ingi Lotfi met with Counselors Awad and Mamdouh on June 26 to finalize arrangements of software acquisition for the REPD Training Development Center. It was agreed that MOJ will utilize the free acquisition of Microsoft licenses under the existing agreement between Microsoft and the GOE. Counselor Mamdouh is responsible for arranging this with MCIT. Counselor Awad informed USAID that a "soft" opening ceremony for the REPD Training Development Center is scheduled for July 16. The MOJ is requesting additional furniture, IT equipment and air conditioners before they open the center for training.

EFS finalized a draft training curriculum and modular course materials in close consultation with senior REPD officials during this quarter. The EFS cadastral team met with Chairman

Hisham on May 21, 22 and 29 to review Egyptian Survey Authority (ESA) course content for the preparation of cadastral index maps.

AMCHAM Conference - Menelaws attended the one-day AMCHAM conference on real estate finance May 16. AMCHAM slides and paper on mortgage finance and property registration were finalized and submitted on May 8. EFS Training Team organized and held a half-day training orientation session with senior REPD trainers on May 29.

Survey Equipment - Home office have approved the contact with Trimble for the delivery and associated training of survey equipment. The equipment will be delivered mid-July 2006.

Meeting with Counselors Awad and Mamdouh - Task Leader Menelaws, Eng. Mosaad Ibrahim and Hassem Hemeda met with Counselors Awad and Mamdouh on June 13 to discuss handover and transfer arrangements for the REPD Training Development Center. Discussion also centered around which urban locations EFS could best deploy its two improved registry offices. Based on consensus agreement with Emad Hassan, MSAD, the project is now required to identify potential locations in the Cairo region that lie outside the nine urban districts planned for implementation under MSAD's national urban title registration project. Both Counselors endorsed EFS work to improve the personal deed system and understand that this will incorporate a parcel based index.

ECIM Workshop - EFS Task 2 attended and participated in the two day Egyptian Cadastral Information Management (ECIM) workshop on cooperation between REPD and ESA held at ESA on June 28-29.

Meeting with QSIT - Task 2 met with QSIT on June 26 to coordinate data research on the proposed locations and to review components for the IRM report now in preparation.

Training Support for Task 2

Workshop for Licensing Private Surveyors - The workshop was held April 18th at Egyptian Survey Authority (ESA) and attended by several government agencies, academic institutions and private sector companies. The workshop afforded an opportunity for EFS to meet private sector companies expressing interest in participating in the outsourcing of survey services. The outcome was agreement in principle by the ESA Chairman to prepare a mid- to long-term strategy to develop private sector capacity in the delivery of cadastral survey and mapping services to the public. This will be done under a licensing arrangement supported by professional development programs and training, complemented by the development of core curriculum courses for surveying at tertiary academic institutions. In the short-term ESA has agreed to outsource preparation of cadastral index maps to private companies on an experimental basis.

IT Support for Task 2

IT Assessment for EPO and EDO - Task 2 Cadastral Team visited the Giza Egyptian Survey Authority Provincial Office (EPO) and Egyptian Survey Authority District Office (EDO) to make a preliminary assessment of IT and facility upgrades required to support the pilot project in Sixth of October. Task 2 Cadastral Team has received ESA's internal assessment for an IT upgrade for Giza Egyptian Survey Authority Provincial Office (EPO). This allowed Task 2 to visit the Giza Egyptian Survey Authority Provincial Office (EPO) to complete the assessment of the IT upgrade requirements for Giza EPO.

Equipment Component - The IT Procurement and Operations specialist received quotations for the installation and support of the TDL equipment. ACT's quotation was

accepted and they completed the installation. The remaining part is to install the software (provided by MSAD and ACT)

B. Activities Scheduled for Next Quarter

- EFS is preparing an Operations Plan defining guiding principles, critical success factors, specific performance indicators and allocation/organization of resources to implement the improved deed system in two targeted urban areas
- EFS is drafting for MoJ review new regulations or technical instructions (Example - Divided Co-ownership of Immovable Property), amending and revoking other regulations to support the revised system
- EFS is developing applications to support the revised business processes
- A Cadastral Survey and Mapping application to identify, record, map and index with unique property code number Real Estate to be registered
- A Transaction-based application to process, track, record and archive legal rights that have been registered
- EFS is designing a comprehensive training curriculum and program for the new system with technical manuals and training of trainers for both ESA and REPD
- EFS will design and fund the creation of two new Improved Registry Offices
- EFS will acquire Cadastral Object Databases in two urban areas
- EFS will conduct Public Outreach and Consumer Education/Awareness Campaigns in two urban areas
- EFS will design, refurbish, equip and upgrade ESA's Training Center
- EFS will design, refurbish and equip one Provincial Office for ESA
- EFS will work with our Partners and MSAD to formulate and prepare a Replication Plan for other urban areas throughout Egypt

C. Challenges Encountered and Proposed Remedial Actions

Issue: How to leverage and ensure MSAD's Title System has capability to serve the needs of lenders

Action: Engage MSAD to provide technical assistance detailing the application process, standards, forms, documentation and functional requirement specifications to ensure registration of mortgages in the nine planned urban districts

Issue: Identify areas for deployment of the Improved Personal Deed System

Action: Commence work on the re-engineering, simplification and automation of the personal deed system

USAID Support: Timely concurrence with the proposed staffing plan and work plan. Continue to work in good faith with our counterparts to support the national urban registration project

Challenges:

- To convince policy makers that registration is an essential public policy tool that requires continuous political support, investment and planning over decades.
- To deregulate, reengineer, simplify, automate and facilitate public access to property registration.
- To make registration affordable both for initial and subsequent transactions.
- To make registration culturally acceptable and popular with the public.

- To privatize the delivery of registration related services such as survey, appraisal/valuation, insurers, mortgage and real estate brokers.

Solutions:

- Deregulate and Privatize Registration related services – requires extensive regulatory reform and possible new law
- Design and Implement a Change Management Strategy and Action Plan for the Egyptian Survey Authority to become a Regulatory Agency to set standards, protocols, licensing, certification and training for private surveyors
- Establish and create a private sector survey profession
- Adopt affordable fee structure for first time registration and set scalar fees for subsequent transactions
- Use innovative technology tools in the redesign and automation of business applications
- Promote public confidence in registration through extensive outreach and public education/awareness campaigns
- Government financial support and investment in the system over the next two decades

TASK 3: DEVELOP FRAMEWORK AND PROCEDURES FOR SECURED LENDING AND NEW FINANCIAL INSTRUMENTS

A. Activities Performed During Quarter

Key Accomplishments

Capacity Building at CMA - Upon a special request made by the Capital Markets Authority (CMA) Chairman, EFS COP, DCOP and Task 1 and Task 3 Senior Financial Advisors met with CMA Chairman and his assistant to go over the request for having the CMA staff of the fixed-income unit trained on the procedures manual and the prospectus prepared according to the best practices. As agreed with the Chairman, Task 1 Senior Financial Advisor prepared an action plan for implementing the program in cooperation with Task 3 Senior Financial Advisor. EFS Senior Financial Advisor prepared and conducted workshops at CMA on the Implementation of the Procedures Manual as part of the capacity building program of the Bond and Securitization Department technical staff. The workshops took place at the CMA premises.

Meeting with the CMA Chairman on Bond Market - DCOP François Pépin, Senior Financial Advisor Ahmed Hussein, and US Treasury Advisor to Egypt Ministry of Finance Keith Krchak, met with the CMA Chairman and advisors to the Chairman to discuss action plan for activation of government bond market. The plan included: CMA approval of repurchase agreements in government bonds, short selling in government bonds and reconsidering the capitalization requirements for the bond dealers. EFS will review with the CMA the draft repurchase agreement and will meet with licensed bond dealers. The CMA Chairman mandates its staff and EFS to come up with an action plan, which EFS is preparing to introduce repos, for review and acceptance by CMA.

Talking Points on Securitization - MFA Chairman requested EFS to develop talking points on securitization for the Chairman's meeting with mortgage brokers and mortgage companies. Task 3 team drafted the paper under the title "Securitization as Engine for Mortgage Secondary Market."

Summary of Leasing in Egypt - Short-term DCA guaranty advisor Carrie Averch developed with EFS and USAID a concept paper (Technical Report #63) for expansion of finance of small to medium businesses in Upper Egypt for equipment financing using DCA guaranty. Carrie requested EFS to provide her with a summary paper on the leasing industry in Egypt which was drafted by EFS Senior Financial Advisor Ahmed Hussein, and the annual report of various banks. The task was completed, but implementation of the guarantee was postponed by USAID's previous CTO Gregg Wiitala until October 2006.

FSVC Leasing report - EFS Task 3 team met with FSVC new Country Director Ms. Thelma Tajirian to discuss possible joint efforts on leasing, following FSVC recommendations in its report, completed subsequent to last year workshop with leasing industry representatives. FSVC provided EFS a copy of its report. FSVC and EFS attempt scheduling a joint meeting with GAFI to discuss next steps and assistance.

Meeting with the World Bank on Assessment Report on Capital Market - DCOP François Pépin and Senior Financial Advisor Ahmed Hussein met with the World Bank (WB) advisors JaeHoon YOO and David Scott on Financial Sector Development to review the World Bank's presentation to Prime Minister Dr. Ahmed Nazeif on developing the capacity and operations of the capital market in Egypt. The World Bank agreed to provide its interview report for use by EFS in the NASD assignment with the CMA to strategize the introduction of new financial instruments, discussed below.

New Instruments Strategy - On May 15, National Association of Securities Dealers (NASD) advisors Molly Bayley and Michael Kulczak completed their three-week assignment jointly with the Task 3 EFS long-term team, Ahmed Hussein, Shamsnoor Abdel Aziz and François Pépin, to propose to the Capital Markets Authority (CMA) a strategy for the expansion of financial instruments in the capital market, as a source of non-bank finance, concentrating on GOE and corporate debt securities, commercial paper, and investment funds. Laws and regulations were reviewed; annual reports, the CMA strategy, and market data were gathered, analyzed and reconciled; meetings were held with CMA, MOF, Central Bank of Egypt (CBE), Cairo and Alexandria Stock Exchanges (CASE), Misr for Clearing, Depository, and Registry (MCDR), CMA, Egypt Investment Management Association (EIMA), large corporate issuers, banks, brokers, dealers and Primary Dealers, underwriters, investment advisors, and investment funds sponsors.

While noting the remarkable development successes of CMA, CASE, MCDR and the legal framework, two major themes emerged: first, the uneven "regulatory playing field" on which banks and securities companies compete in all of the Primary Dealer system, the secondary Government of Egypt (GOE) bond market, the primary and secondary corporate bond market, and mutual funds; and second, the need for regulators to coordinate their actions to address regulatory gaps in the securities industry, and to adopt a policy of "regulation by function", because without remedial action, securities firms and the market will simply remain as they are.

Technical Report #56 proposes the expansion of current instruments as a priority to the introduction of new ones, such as commercial paper, convertible bonds, Exchange Traded Funds, Real Estate Investment Trusts (REITS) and derivatives which are cautiously kept aside for the time being. It offers an assessment and a strategy for each of them, complemented by specific implementation recommendations. The report also proposes steps to be taken to address the two main issues, and discusses ancillary issues such as a public rulemaking process, the pursuit of the Self Regulatory Organization (SRO) agenda, and public awareness.

Prior to NASD advisors leaving, the entire team met with the CMA Chairman, his Deputy and advisors, to present a summary of its findings and recommendations to be found in the

report, and was well received without comments for the time being. The report will be presented to the CMA next week for review, finalization, and acceptance, followed by an implementation plan to be determined, with Task 3 assistance.

The issue of regulation by function and the dominance of banks in the capital market was brought by NASD's Molly Bayley and EFS François Pépin to the specific attention of the EFS COP. This was done out of concern for the political and sensitive aspect of this recommendation but also of the need to "say it as it is", and the need for the proper parties to engage this recommended priority reform process, of which EFS will inform and seek advice from our USAID CTO.

Mutual Funds Reform - Senior Financial Advisor Ahmed Hussein met with the CMA Working Group on Mutual Funds, formed by the CMA Chairman and chaired by the CMA Deputy Chairman, to review the recommendations provide by the NASD/EFS advisors in their report on "CMA Strategy for Expanding Availability of Financial Instruments". The Working Group has agreed on an action plan which was finalized by Ahmed Hussein and presented to the CMA Chairman. The plan calls for technical assistance from EFS to provide assistance in implementing international standards and best practices on mutual funds in the design of the new legal and regulatory framework. EFS will also develop a procedures manual and provide training on this manual. A series of documented international standards was provided to the CMA Deputy Chairman.

On the other hand, at a request from the CMA Chairman, Deputy Chief of Party François Pépin and Ahmed Hussein have reviewed and provided comments to the CMA on a proposal from an investment bank to issue a new mutual fund (exchange traded fund "ETF") based on investment in certain securities listed on CASE.

EFS Task 3 provided the CMA with a copy of international standards of IOSCO on collective investment schemes and a copy of regulations, rules and best practices on mutual funds in US market for review by the CMA working group on investment funds. The working group will meet with EFS to review papers on development of investment funds and proposed technical assistance by EFS.

ELF – Task 3 is responsible for technical assistance to the ELF, as a corporation while Task 1 assists the MFA in regulating the ELF. A presentation was prepared by François Pépin on the ELF for the MFA Chairman to prospective ELF institutional investors, and delivered the same day of the meeting to MFA Deputy Chairman, followed the next day by information on the Jordan and Malaysia liquidity facilities.

Senior Financial Advisor Ahmed Hussein performed a detailed review of the proposed regulations on capital adequacy of ELF provided by Task 1 short-term advisor Greg Taber. The main revisions requested were adapting the regulations to the Egyptian environment and to clarify the regulatory objective of the regulations. Revisions were subsequently made by the short-term advisor. Final regulations will be presented to the MFA.

Training in Fixed-Income Securities Manual - EFS Task 1 Senior Financial Advisor Manal Shalaby and Task 3 Senior Financial Advisor Ahmed Hussein delivered part of a series of 12 training sessions in fixed-income securities manual to the CMA staff. The first training covered procedures in reviewing registration statements, prosecutes and other mandatory disclosures required form fixed-income securities issuers. Eight members of the CMA staff attended the first training. Manal Shalaby and Ahmed Hussein continued their training to the CMA staff in fixed-income securities manual. The training sessions covered initial procedures to review registration forms and applications for issuing corporate bonds, and internal procedures to keep the manual updated constantly by the CMA Fixed-Income Securities Department.

Short-selling - The CMA Chairman has requested EFS technical assistance in launching the short selling. A draft proposal of EFS technical assistance in this regard was presented to the CMA Chairman on June 12, 2006. The proposal include drafting CASE and MCDR rules on short selling, review trading and settlement systems for short selling trades and provide training to the regulatory and operational staff in the new rules. The technical assistance proposed would be provided by EFS task 3 team and short-term short selling operational adviser Charlie Rubin.

Concept Paper on Market-maker - At a request from the CMA Chairman, EFS Senior Financial Advisor Manal Shalaby has prepared a concept paper on market makers in US market. The paper was presented to the CMA Chairman on June 1st.

Registry of interests in movable property (collateral registry) - EFS contacted the Vice Chairman of Commercial International Bank (CIB), Mrs. Saher Sallab, who had shown interest in establishing the collateral registry in her presentation at the May 16th AmCham Conference on Financial Sector Reform in Egypt. EFS is exploring with the CIB how the idea of the collateral registry can be presented to the CBE and other relevant governmental authorities. CIB has formed a group of relevant bank officers to meet with EFS on this subject.

Master Repurchase Contract - Shamsnoor Abdul Aziz, EFS Senior Legal Advisor, upon a request by the CMA Chairman, called for a meeting on June 5th with Ms. Amina el Oteify, the legal advisor to the CMA chairman. Ahmad Abo Ali, EFS legal subcontractor, and a representative of the CMA legal department attended the meeting. The topic was the characterizing of the repo contract. It was agreed to deal with it as a new contract governed by the CMA Law and go further with reviewing the contract as it stands. Another meeting will be scheduled to compare notes on the contract and agree on the final draft.

Training Support for Task 3

OECD National Investment Reform Workshop - At the request of Mr. Gregg Wiitala, EFS USAID CTO, François Pepin prepared a presentation, from the USAID donor perspective, on "Improving Capital and Financial Market Efficiency" for an Organization for Economic Co-operation and Development (OECD) workshop on May 17 sponsored by GAFI, and focusing on investment policy reform in key areas. The presentation explains USAID and MOI efforts to modernize the financial sector with the expansion of non-bank financial products.

GAFI Workshop on Factoring - DCOP François Pépin and Senior Financial Advisor Ahmed Hussein met with Mr. Abdel Hamid Ibrahim the Senior Financial Advisor to the Minister of Investment to discuss next steps after finalizing draft regulations and rules on factoring. The regulations and rules are under review by GAFI for adoption by its BOD. EFS agreed to present draft regulation and rules to factoring stakeholders in a workshop sponsored by GAFI. EFS subsequently prepared and presented to Mr. Ibrahim a draft agenda and list of participants in the workshop for review by GAFI Chairman Dr. Ziad Baha El Din and approval. EFS arranged with General Authority for Free Zones and Investment (GAFI) and Mr. Abdel Hamid Ibrahim, the Senior Financial Advisor to the Minister of Investment, for a workshop to present to market stakeholders the new regulations and rules on factoring which were previously drafted by EFS advisors. The workshop, sponsored by GAFI and organized by EFS, was held May 15, at 6 p.m. at Grand Hyatt Hotel Garden City. The workshop was attended by 46 market participants interested in doing factoring business and GAFI staff in charge of applying the new framework. Participants in the workshop include banks, companies interested in doing factoring business and the sole existing factoring company in Egypt. The main speakers in the workshop were Dr. Ziad Baha El Din, the Chairman of GAFI and Mr. Abdel Hamid Ibrahim, the Senior Advisor to the MOI. Dr. Ziad

requested the participants to provide GAFI with feedback and comments on the proposed regulatory framework before being finalized and approved. It is worth mentioning, that the proposed framework was initially drafted by EFS Advisor Stephen Strauss in last quarter of 2005.

B. Activities Scheduled for Next Quarter

- Implement CMA strategy, developed jointly with EFS and NASD
- Real estate investment funds
- ELF
- GAFI: leasing, factoring
- Secured lending collateral registry
- Collateral registry – awareness, strategy, implementation, training
- Expand investor protection by introducing “trust” for bondholder association and secured lending

C. Challenges Encountered and Proposed Remedial Actions

None

TASK 4: ESTABLISH A BROAD-BASED CREDIT INFORMATION SYSTEM

Overview

- Amendment in the Banking Law - *Approved by Parliament, June 05*
- Licensing Requirements - *Approved Aug 05*
- Rules and Regulations - *Approved Feb 06*
- Legal Formation of Private Credit Bureau ESTEALAM - *Aug 05*
- Foreign vendor selection - *July 2006*

A. Activities Performed During Quarter

Key Accomplishments

Increasing Credit Bureau Awareness in the Central Bank – A meeting was held with Sub Governor Tarek Kandil, consultant Ghassan Gowigati, and Mrs. Zeinab, head of the public registry on April 12th. EFS' intention was to create increasing awareness of the credit bureau project inside the Central Bank. EFS raised issues which EFS can assist the Central Bank with and provided copies of report sent to IT department and presentation to Ministry of Investment and the authorities under their umbrella. Mr. Kandil, responsible for banks reform has recently taken over banks supervision also. Though public registry falls in his domain, Mr. Kandil informed that the credit bureau project continues to be the direct responsibility of Mr. Mahmoud Abdel Aziz. EFS continued to follow up with phone calls and emails and has inadvertently met Assistant Sub Governor Tarek Raouf, IT, and his assistant. They informed us that they read the EFS report outlining the IT role and promised organize a meeting shortly to start working with EFS. As their shortage of staff is apparent, EFS indicated it willingness to supplement their resources for the credit bureau work with short-term IT consultants.

Legal Work in Process for ESTEALAM

Draft Sample Agreement for ESTEALAM - On April 30, EFS sent a first draft sample agreement to ESTEALAM and the Central Bank. The agreement will be signed by ESTEALAM and potential information providers and users. The draft, prepared at the request of the counterparts was reviewed by our long-term IT advisor.

Preparing Non-Bank Financial Entities for the Credit Bureau - Task 4 conducted meetings with the Deputy Chairman of MFA (April 3), EISA (Egyptian Insurance Supervisory Authority (April 5), General Authority for Investment and Free Zones (April 5) and CMA (April 6). The meetings were attended by representatives from the Ministry of Investment, who work with the 4 regulators. EFS's objective was to provide information on the development of the credit bureau project and prepare the non-bank financial entities. A very high level of positive responses were expressed during the meetings. EISA suggested a meeting with the chairmen of the insurance companies, via the Egyptian Insurance Association. Both EISA and CMA expressed an interest to use the credit bureau as regulators for licensing purposes in addition to their strong support for its use by the companies falling under their umbrella. The Investment Authority is willing to conduct joint calls with EFS to visit financial leasing companies.

A meeting was held with Deputy Governor Mahmoud Abdel Aziz on May 3 to inform him of the status of EFS assistance for the credit bureau project and the diversified activities that were ongoing in the past weeks. With respect to EFS efforts to bring the non-bank entities and ESTEALAM closer together, Mr. Abdel Aziz advised that he can see that EFS is building bridges of trust between the credit bureau and the non-bank entities. He also said while doing this, EFS should attempt to find out the type of data that non-bank financial institutions and microfinance institutions would like to see, their data priorities and their existing IT systems. Mr. Abdel Aziz supported our idea that EFS contacts the banks that have micro loans less than LE 30, 000 to determine their readiness level. EFS held discussions with legal subcontractor Hassouna and Abou Ali and it was agreed that they would provide a discussion paper to EFS. With respect to our effort to capture legal information, Deputy Governor Abdel Aziz requested that we take into account the capturing of unpaid checks database, an issue which was subject of discussion with Egypt's Union of Banks as far as EFS is aware.

Initiation of Work to Capture Public Record Legal Information

Preparing Microfinance Institutions for the Credit Bureau – On April 2, the Task 4 Leader met the acting executive Director of the Egyptian Small Enterprise Development Foundation, the largest microfinance institution in Cairo. Some concerns were expressed by the Foundation during the meeting to which EFS responded and suggested another meeting after they review the rules and regulations of credit bureaus to continue discussion. On May 17, another meeting was held with the Deputy Director of the Egyptian Association for Small Enterprise Development to discuss the development of the credit bureau project. At end of the meeting, the association agreed to nominate a candidate to attend the Federal Trade Commission (FTC) training. It was also agreed that EFS prepares a summary with the main features of the regulations and credit bureau operations to be presented to some officials of association in its next meeting. EFS will also send the draft memorandum of understanding that EFS suggested that ESTEALAM signs with the non-bank entities.

Meeting with ECMA – Task 4 Leader met the Executive Director of the Egyptian Capital Market Association (ECMA) on June 18 to inform him of the recent developments of the credit bureau project and our forth coming efforts to contact a number of companies falling under the umbrella of the Capital Market Law through ECMA. Executive Director Sameh Sabbour welcomed the EFS initiative and also attended the training program with the Federal Trade Commission as part of his responsibility to get the members of ECMA more aware of the importance of using their credit bureaus in their operations. He also invited EFS to hold presentations at ECMA's venue.

IT Support for Task 4

IT Assistance to Central Bank - On May 21 a meeting was held with the head of the public registry at Central Bank. Issues related to the information flow from Central Bank to ESTEALAM need to be resolved. As a result, several meetings were held with the IT department at Central Bank. The CBE IT Sub Governor indicated that they would like to start working on the detailed IT requirements for credit bureaus and second then they will look into the informational flow. Two working meetings were held the end of May with the assigned person from the IT department to work on the credit bureau project. EFS Senior IT Advisor Ibrahim Sabri and a designated person from CBE agreed on six main areas that EFS will work on closely with the Central Bank to develop the detailed technical requirements for the IT of the credit bureau. It was also agreed that EFS will meet the IT department at least twice a week until the work is finalized. Meetings started in June 2006.

Training Support for Task 4

FTC Training Program - EFS conducted a training program on Regulation of Credit Bureaus, June 25- 29 at Grand Hyatt Hotel, jointly with the Federal Trade Commission. The program was attended by about 27 participants representing the Central Bank of Egypt, ESTEALAM, Egyptian banks, and a number of nonbank financial institutions representing different market segments and potential members of ESTEALAM. The program was delivered by three FTC experts: Bethany Matz, legal advisor, Bureau of Consumer Protection and Dr. Kenneth Kelly, Economist, both of the FTC. FTC has powers from the Congress to enforce the Fair Credit Reporting Act in the U.S. FTC can bring credit bureaus in the U.S to court and have responsibility for consumer protection rights in the U.S. Mr. David Lafleur, Examiner, Federal Deposit Insurance Corporation, also delivered presentations on the enforcement of the Fair Credit Reporting Act with respect to the banks. Part of the training was allocated to Egypt's situation. A session on the Egyptian credit bureau model was delivered by task leader Marian Mishriki and on the last day, the participants worked in groups to draw lessons from the American experience, making some applications to Egypt's situation and provide some recommendations/suggestions. The Deputy Managing Director Mr. Mohamed Refaat also contributed in this training and delivered a presentation on the status of ESTEALAM.

Security and Audit Course - The training team conducted the initial meeting with the three participants nominated by Task 4 and approved by the CTO to attend the Audit 411: SANS 17799 Security and Audit Frame Works course that took place July 5 -12 in the US.

5th World Consumer Credit Reporting Conference - The Task 4 Leader requested to send participants from the ESTEALAM and the Central Bank to attend the 5th World Consumer Credit Reporting Conference that will take place in South Africa in October 2006. An estimate budget was prepared by the training team and preliminary COP approval was obtained for the course, consequently the training team registered the four participants that have confirmed their availability. Two participants will be added to the registration once the names are confirmed by Task 4. The Training Team will start working on applying for the visa, booking tickets and finalizing the hotel reservations, once CTO approval is acquired.

Public Awareness Support for Task 4

ESTEALAM Communication Strategy and Website Assistance – Marian Mishriki and Karen Roland have had weekly meetings with the credit bureau to draft and review a communication work plan to include a public awareness strategy. Technical content and homepage design for the credit bureau was also proposed by Task Leader and Karen Roland and sent to ESTEALAM for their review. EFS indicated to the Bureau that it will not be possible to finance the web development but will continue to offer technical assistance. ESTEALAM requested that we assist with drafting a Request for Proposals for their website. The Credit Bureau still has not reviewed the technical content of the website.

ESTEALAM informed EFS with additional needs such as advise on developing a newsletter to their shareholders, preparing a company profile, advise on how to advertise their website, etc. Following the meeting ESTEALAM made some amendments to the Communication work plan. The Task 4 Leader also prepared a Fact Sheet on the credit bureau for ESTEALAM's review and comment. A glossary and FAQ sheet have also been prepared by Karen Roland and distributed to the Bureau for their review.

Request from IFC and El Mal for Conference - A meeting with ESTEALAM, IFC, El Mal newspaper and an affiliated conference organizer (for profit) company was held April 11 to discuss a proposal by EL Mal and its affiliated company to hold a one-day conference on credit bureaus. Task 4 leader informed that our work plan entails a launch event and a media event, but we might consider the conference at a future date.

B. Activities Scheduled for Next Quarter

- Initiate Discussions with MSAD on the subject of National numbers and the important role of the government in the credit bureau project
- Discuss with Hassouna and Abou Ali the capturing of public record legal information and plan for next steps
- Continue work with ESTEALAM in the public awareness area
- Continue work with the IT department of the Central Bank to finalize the IT technical specifications for the system of the credit bureau
- Finalize membership agreement that will be signed by ESTEALAM and its potential members

C. Challenges Encountered and Proposed Remedial Actions

Issue:	ESTEALAM needs operational software before it can begin functioning
Action:	EFS will work with the CBE on developing minimum IT standards to secure information
Issue:	The credit bureau needs information from the CBE, MSAD and members of the non-banking sector
Action:	EFS will maintain its excellent relationship with the CBE and initiate discussions with MSAD on the national number issue
Issue:	The continuation of the public registry operated at the Central Bank may jeopardize the success of ESTEALAM with banks and its overall financial sustainability
Action:	EFS will focus on the non-bank sector under the MOI, microfinance institutions and some housing developers
USAID Support:	Meeting with the Governor of the Central Bank would raise EFS' profile. The Central Bank may be brought to considering the licensing of a second private credit bureau

SECTION III: Project Management, Monitoring and Evaluation

Project Management

A. Administration

- COP Allen Decker resigned his position on June 15
- Kevin O'Brien left his position at EFS as the Task 1 Leader June 29
- Melville Brown arrived for overlap on June 4 to fulfill his role as the new Task 1 Leader
- Training Manager Amy Hagan is leaving EFS July 18 and taking annual leave until the end of her contract on July 31
- Mahmoud Abdel Alim resigned his position as Legal Research Assistant on June 26
- The new PA Manager, Dina Ousmane, has been approved and will begin full-time August 15
- The new PA Communications Officer has been approved and will begin full-September 15

MM&E

The home page that includes reports was been modified and now offers updated, linked reports. Paul Bruning was assigned a password to the MM&E system and is now utilizing the system.

The MM&E system approvals page was also updated and no longer contains outdated, irrelevant information.

B. Public Awareness

- The PA Team worked on the last newsletter to be distributed by EFS in July. The EFS website redesign prototype was completed and the proposed material for the site has been collected and is ready for translation. The redesigned website is expected to be online in Quarter 3.

C. Training

Status Report of the Professional Associations

- *Egyptian Mortgage Association:* Has delivered one training course (Loan Origination) during the past quarter in cooperation with the Egyptian Banking Institute. Will revise budget, and action plan in accordance with recent revenue earned after the delivery of the mortgage courses developed with the aid of EFS.
- *Egyptian Association for Real Estate Appraisers:* Currently exploring the possibility of engaging in an agreement with the EBI to deliver the appraisal courses developed by EFS.

ANNEX 1: SHORT-TERM INTERNATIONAL ADVISORS FIELDED THIS QUARTER

Name	Type of Specialist	Primary Area of Assistance	Target Dates		LOE Estimated
			Start	End	
Administration					
Andrew Colquitt	Team Building/ Budget Realignment	Task 5.4.01	06-06	06-28	Overhead
Peter Bittner	Team Building	Task 5.4.01	06-10	06-16	Overhead
Roberto Toso	Team Building	Task 5.4.01	06-10	06-16	Overhead
Emet Mohr	Training Course Design	Task 1.3.2	06-18	07-07	Overhead
Andrew Colquitt	Budget Realignment	Task 5.4.01	06-18	06-28	10 billable days
TASK 1					
Greg Taber	Regulatory Specialist	Task 1.1.7.4	02-22	05-22	78 billable days
Jim Vernor	Appraisal Institute	Task 1.1	03-17	04-15	19 billable days
Mark Bates	Appraisal Institute	Task 1.1	03-18	04-5	18 billable days
Natalya Klimova	Mortgage Finance Trainer	Task 1.3.2	06-18	07-08	19 billable days
Jeanne Bufton	Mortgage Finance Trainer	Task 1.3.2	06-18	07-08	19 billable days
Marc Albert	Foreclosure Specialist	Task 1.2	05-17	05-26	10 billable days
TASK 2					
Mosaad Ibrahim	Management Specialist Outsourcing/ Privatization	Tasks 2.3, 2.3.6, 2.3.8.2 and 2.6.1	03-08	12-15	132 billable days
Nigel Edmead	Senior Systems Analyst/GIS Specialist	Task 2.3.19	05-05	05-30	23 billable days
Ali Abd-El Salam	Registration Training Specialist	Tasks 2.3.6 and 2.3.8	03-07	04-19	28 billable days
Rehab Nour	Systems Project Manager	Task 2.3.21	05-07	06-15	30 billable days
Dr. Hossam Habrouk	Senior Cadastral Systems Trainer	Task 2.3.19	05-07	08-15	30 billable days
Ahmed Farghaly	IT Systems Specialist	Tasks 2.2.9 and 2.2.10	05-14	06-15	12 billable days
Ali Abdel Salam	Senior Registry Office Operation Trainer	Task 2.3.19	05-07	07-15	30 billable days
Samer Lotfy	Financial Analyst /Accountant	Task 2.3.21	05-14	07-31	40 billable days
TASK 3					
Carrie Averich	Long Term Bond Guarantee	Task 3.1.2	4/11	4/20	11 billable days
TASK 4					
Ahmed	Legal Advisor	Task 4.2.10	05-29	07-27	30 billable

Saleh					days
Bethany Matz	FTC Legal Advisor	Task 4.1.7	06-23	06-30	8 non-billable days
Kenneth Kelly	FTC Economist	Task 4.1.7	05-23	06-30	8 non-billable days
David Lafleur	FDIC Bank Examiner	Task 4.1.7	05-23	06-30	8 non-billable days

ANNEX 2: TRAINING EVENTS/ ACTIVITIES DELIVERED SECOND QUARTER

Course	Objectives	Description of Course Materials	Number of Participants	Target Audience	Date
Foreclosure Process	Judges learn the laws and steps involved with foreclosure	Presentations prepared by two local councilors, and a US legal expert	21 males	Judges nominated by the National Center for Judicial Studies	May 23 -25, 2006
Egyptian Primary Mortgage Market Course	Specially delivered to the MFA staff to educate them with the basic knowledge of the primary mortgage market	Course developed using Mortgage Bankers Association off-the-shelf material and adapted locally	10 males 7 females	MFA staff – all levels	June 11 -15, 2006
Loan Origination	To provide guidance to mortgage finance professionals involved in loan origination	Course developed using ShoreBank off-the-shelf material and adapted locally	16 males 3 females	Executive level participants from various banks and finance companies	June 25 -27, 2006
International Housing Finance Program	More understanding of technical issues, greater appreciation of internationally accepted risk management standards for underwriting housing loans	Course delivered and material prepared by the Wharton school of Business in the US	4 males 1 female	Chairman and Deputy chairman of the MFA, advisors from the Ministry of Housing and the Ministry of Investment	June 4-16, 2006
Consumer protection rights and regulation of credit bureaus	To ensure the accuracy and privacy of information kept by credit bureaus and other consumer reporting agencies	Presentations developed and delivered by the Federal Trade Commission in the US	21 males 6 females	Executive level participants from the Central bank of Egypt and the Egyptian Credit Bureau	June 25 -29, 2006

CONFERENCES ORGANIZED

Conference/ Workshop	Objectives	Description of Materials	Number of Participants	Target Audience	Date
Factoring workshop	To introduce the new legal framework of factoring operations in Egypt	Presentations prepared by the advisor to the minister of investment	43 participants	Executive level participants from GAFI, factoring companies and banks	May 30, 2006

ANNEX 3: LIST OF DIRECT PROCUREMENT DURING THIS QUARTER

New Contracts from Quarter 2

- MFA system integrator (L.E. 78,000)
- TDL hardware installation and on-site standard warrantee (L.E. 12,500)
- TDL Hardware procurement – US (US \$51,838)
- GPS/Survey Equipment – ongoing
- Calculators – US (US \$2,250)
- Books – US (US \$925.32)
- Software – US (US \$3,377)

Payments from Quarter 2

- MFA Notebooks (L.E. 24,270.00)
- MFA Call Center – Setup and two months operation costs (L.E. 23,400.00)
- MFA Supplies (L.E. 18,849.32)
- MFA Display and color printer (L.E. 9,001.50)
- MFA Microsoft Software Components (L.E. 435,880.00)

ANNEX 4: EGYPT FINANCIAL SERVICES PROJECT LONG- AND SHORT-TERM STAFF

Project Management, Administration and Support

To Be Determined	Chief of Party
François-Jude Pépin	Deputy Chief of Party and Task 3 Team Leader
Hanaa El Bashari	Operations Manager/Monitoring and Evaluation Specialist
Nadia Moustafa	Senior Executive Assistant and Office Manager
Karen Roland	Manager, IT, Communications, Training & Performance Monitoring
Amir F. Francis	IT Manager
Gamal Kamel	Financial Manager
Mahira El Kassas	Accountant
Noha Fathy El Haddad	Translation and Publications Specialist
Sahar El Helaly	Translator/Interpreter
Ahmed Diab	Translator/Interpreter
Nourhan Al-Ayat	Operations Assistant
Lamia Bakr	Secretary/Receptionist

Task Management

Task 1: Mortgage Team

Melville Brown	Task 1 Team Leader/ Senior Real Estate Advisor
Manal Shalaby	Senior Financial Advisor
Amal Ezz El-Din	Senior Real Estate Finance Advisor
Lamia El Zufzafy	Regulatory and Audit Advisor
Aser Obeid	Credit Analyst and Mortgage Loan Advisor
Mirale El Azhary	Administrative Assistant

Task 2: Registration Team

Dougal Menelaws	Task 2 Team Leader/Senior Consultant
Hassem Hemeda	Real Property Registry IT Specialist
Mahmoud Moussa	Administrative Assistant

Task 3: Financial Instruments Team

François-Jude Pépin	Team Leader
Ahmed Hussein El Sayed	Senior Financial Advisor
Shamsnoor Abdul Aziz	Senior Legal Advisor
Rehab Seif	Administrative Assistant

Task 4: Credit Bureau Team

Marian S. Mishriki	Task 4 Team Leader/ Financial/Credit Specialist
Hanaa Hanafy	Administrative Assistant

Cross-Cutting Teams

Information Technology

Ibrahim Sabri	Senior IT Advisor
Hisham El Masry	IT Operations and Procurement Specialist
Amani Zeitoun	IT System Specialist

Training

To Be Announced	Training Manager
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Lubna Salem
Dalia Sabet
Sherine Ezz El Din

Training Specialist
Training Specialist
Training Administrative Assistant

Public Awareness
To Be Announced
Nancy Amer

PA Manager
Public Awareness Specialist